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SIPDIS
STATE FOR EEB/IFD FOR JULIA JACOBY

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SUBJECT: ECUADOR FISCAL TRANSPARENCY REPORT 2009

REF: State 28885

¶1. The Government of Ecuador is a recipient of U.S. assistance monies under the FY2009 Foreign Operations Appropriations Act. The following is a narrative on fiscal transparency in Ecuador, as requested in reftel.

¶2. The Government of Ecuador publishes budget data, which is reasonably transparent and reliable. After the annual budget is approved by the legislature, the Administration has considerable discretionary authority over actual expenditures. In recent years, tax revenues and petroleum income have exceeded that projected in the budget, as have expenditures. The Government of Ecuador publishes both the approved budget and actual revenues and expenditures.

¶3. Ecuador adopted a new constitution in October 2008, and is operating under an interim legislative assembly until a new National Assembly is elected. The President, Assembly representatives and other elected positions will be elected on April 26. The new administration is required to present the 2009 budget to the Assembly 90 days after taking office. In the interim, the government is operating on an extension of the approved 2008 budget. The new constitution also establishes that the administration provide the Assembly with a report on budget implementation twice a year.

¶4. The Ministry of Finance publishes budget data on a regular basis on the internet. The Central Bank also publishes aggregate budget data. Revenues and expenditures are included in the publicly-available information, although data are often aggregated at a fairly broad level. Data at the sub-account and line item level are not published as regularly, but can be obtained upon request. Given these limitations to the published data, a non-governmental organization also publishes monthly reports to clarify budget numbers.

¶5. In 2008 the Government of Ecuador changed some budget procedures to bring the petroleum reserve funds on budget, reduce earmarking, and establish a unified account for the federal budget. The Administration has also stated that it would bring under the budget a subsidy program for gasoline and other petroleum derivatives, which has been funded indirectly through the parastatal petroleum company. These changes should simplify the complex budgetary process and promote transparency.

¶6. In 2002-2007, USAID provided the Ministry of Finance technical assistance to enhance fiscal transparency and improve reporting of fiscal revenues and expenditures. The Ministry of Finance implemented a new information system program provided by the World Bank, which should improve financial management effectiveness and transparency and contribute to better government financial reporting.

¶7. In 2003, Ecuador volunteered to the IMF to report on the country's compliance with standards and codes covering fiscal

transparency. Ecuador does not currently have a borrowing program with the IMF, but does participate in periodic IMF reviews.

HODGES